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BACKGROUNDER 1-0795
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EAST-WEST TRADE: THE TECHNOLOGY GAP

ANNCR:

IN RECENT YEARS, TRADE BETWEEN THE CAPITALIST AND COMMUNIST COUNTRIES OF EUROPE HAS INCREASED SUBSTANTIALLY. BUT A NEW REPORT BY NATO EXPERTS SAYS THAT TECHNICAL LIMITATIONS IN THE SOVIET UNION AND EASTERN EUROPE WILL CONTINUE TO RESTRICT EAST-WEST TRADE IN THE DECADE AHEAD. RICHARD KILIAN IN GENEVA HAS A BACKGROUND REPORT.

VOICE:

THE SOCIALIST COUNTRIES ARE RECEIVING UNPRECEDENTED ACCESS TO WESTERN TECHNOLOGY, BUT ECONOMISTS AND BUSINESSMEN FROM FIVE NORTH ATLANTIC TREATY COUNTRIES SAY THAT SOME OF THE TECHNOLOGY THAT IS NOW AVAILABLE SIMPLY CANNOT BE ABSORBED. A REPORT BY NON-GOVERNMENTAL EXPERTS FROM THE UNITED STATES, FRANCE, WEST GERMANY, GREAT BRITAIN AND ITALY -- ALL MAJOR EXPORTERS OF TECHNICAL EQUIPMENT -- SAYS ENGINEERING PROBLEMS AS WELL AS POLITICS NOW CONTROL THE PACE OF EAST-WEST TRADE.

THE REPORT SAYS A SURVEY OF THREE HUNDRED DESIGN OFFICES IN THE SOVIET UNION SHOWED THAT EIGHTY-FIVE PERCENT OF THEM STILL COPY TECHNICAL DRAWINGS BY HAND, USING TRACING PAPERS AND INDIA INK. THE NATO EXPERTS SAY THE SOCIALIST COUNTRIES NEED TO INCREASE THEIR IMPORTS OF PHOTOCOPYING AND MICROFILM MACHINES.

ONE OF THE MOST IMPORTANT ITEMS OF EAST-WEST TECHNICAL TRADE IS COMPUTER EQUIPMENT. BUT THE WESTERN EXPERTS SAY THAT COMPUTER TECHNOLOGIES NOW CONSIDERED OUT-OF-DATE IN THE EXPORTING COUNTRIES WILL BE SOLD TO THEIR SOCIALIST TRADING PARTNERS FOR SOME TIME TO COME. THE NATO REPORT SAYS THAT

COMPUTERS THAT ARE NOW BEING DEVELOPED IN THE WEST MAY NOT BE IN COMMON USE IN THE SOVIET UNION, FOR EXAMPLE, UNTIL THE VERY END OF THE PRESENT FIVE-YEAR PLAN IN 1980.

THE REPORT SAYS THAT THE AVAILABILITY OF WESTERN TECHNOLOGY WILL ULTIMATELY BE CONDITIONED ON THE POLITICAL CLIMATE BETWEEN EAST AND WEST, BUT THAT IF THAT POLITICAL CLIMATE CONTINUES TO IMPROVE, THERE WILL BE NO SUBSTANTIAL RESTRICTIONS ON COOPERATION EXCEPT THOSE IMPOSED BY TECHNOLOGY AND ECONOMICS.

IN ADDITION TO THE PROBLEM OF ABSORBING NEW TECHNOLOGY, TWO ECONOMIC ISSUES ARE MENTIONED PROMINENTLY IN THE NATO REPORT. ONE IS THE NEED FOR CREDIBLE GUARANTEES OF SECRECY FOR WESTERN PATENTS AND DESIGNS. THE OTHER IS THE NEED TO REACH AGREEMENT ON FORMS OF PAYMENT. THE WESTERN EXPORTERS PREFER HARD CASH, BUT THE EASTERN EUROPEAN IMPORTERS GENERALLY WANT TO MAKE PAYMENTS IN THE FORM OF GOODS.

BUT DESPITE THESE PROBLEMS, EAST-WEST TECHNICAL TRADE IS INCREASING RAPIDLY. IN 1974, IT AMOUNTED TO SEVEN THOUSAND MILLION DOLLARS -- WITH A RATIO OF SIX TRANSACTIONS FROM THE WEST FOR EVERY ONE FROM THE EAST.

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